

A Work Project, presented as part of the requirements for the Award of a Master Degree in Management from the

NOVA – School of Business and Economics



CONNECT TO SUCCESS CONSULTING PROGRAM

SAIR DE VIAGEM

BUSINESS PLAN

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A Project carried out on the International Master in Management Program, under the supervision of:

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MAY 2018

EXECUTIVE SUMMARY

Sair de Viagem is a travel agency operating in a very competitive industry that is suffering countless transformations due to the financial crisis, the rise of technology and the consumers' change of behavior. This context has led to a decrease in *Sair de Viagem*'s revenues and to overcome the situation, Teresa Tenrinho applied to the *Connect to Success Consulting Program*.

Therefore, considering the company's lack of a strategic plan, a business plan was developed, intended to provide guidance as well recommendations to increase brand awareness and revenues, and achieve a long-term sustainability.

After a thorough analysis on the external and internal environments of the agency, a marketing strategy was designed to achieve the mentioned goals. Such recommendations mainly focus on segmenting the market for each of the agency's main type of product, understand the market potential of each segment and target the most attractive ones.

Bearing in mind this segmentation, the agency can then focus on improving its service, mainly in what concerns service delivery, by implementing a CRM platform and improving the follow-up of the customers; promotion, by improving its image and increasing social media presence; and used channels, by taking advantage of the online platform and reaching out networks according to the chosen targets.

In the end, considering the market growth, this strategy could lead to an increase in net profits by 2019, amounting for 103 284 €.

Glossary:

SdV: *Sair de Viagem*

GDPR: General Data Protection Regulation

OTA: Online travel agency

SME: Small and medium enterprise

B2B: Business to Business

B2C: Business to Consumer

CRM: Customer relationship management

IMC: Integrated marketing communication

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1. BUSINESS INTRODUCTION

Sair de Viagem is a 5-year old travel agency located in Amadora, Lisbon, that provides personalized services and thematic group trips. Initially, it started in 2001 as a franchise of the Spanish agency *Golden Travel* (now *Best Travel*), by Teresa Tenrinho and another partner. The promises of high profits seemed irresistible, yet the results were not as fortunate, mainly due to the 2001 terrorist attacks, which had a negative impact in the sector. The business got steady results, but an international crisis emerged in 2007, which was especially felt in Portugal in 2010-11. With results below the expectations, along with the end of the franchising contract, the other partner opted to leave the company. However, Teresa decided not to quit and instead of renewing the costly and inflexible contract, she rebranded the agency as *Sair de Viagem*. To gain leverage over the competition, SdV partnered with a managing group, Grupo GEA, as a way to have better negotiation conditions with suppliers and increase her network and portfolio of clients, which has proven to be fruitful. However, sales have not been constant, decreasing in 2015 and 2017, with 2018 projections appointing to similar results.

2. PURPOSE OF THE STUDY

To improve her company, Teresa Tenrinho applied to the *Connect to Success Consulting Program*. Accordingly, the present project intends to develop a realistic business plan to address the issues the agency is currently facing and grow in the near future. The current study attempts to understand the market and how should the company adapt to it, i.e. help the company to have a strategic focus for long-term sustainability. Hence, it is expected a positive growth while capturing and retaining new clients.

3. METHODOLOGY

The present research follows a deductive approach, which is noticeable in its structure with seven main chapters: introduction, objectives, external and internal analysis, marketing strategy and financial analysis. To this end, both primary and secondary data are used: the former is based on phone interviews with clients and information provided by the CEO, while the latter derives from reliable external sources.

The **business introduction** and the **objectives** contextualize the reader on the company history and on what is intended to achieve with this research. In the **external analysis**, the macro-environment of the company is analyzed, firstly, by using the PESTLE framework to understand the opportunities that may arise while accounting for significant threats, and then, following the premise that competition goes beyond the established players, by using the Porter's Five Forces framework to understand what drives competition and profitability. Additionally, analyses on the direct competition, demand and market potential are performed. With this, the **internal analysis** provides a view of the company from within, which begins with an overview of the current business model, the value chain, using Porter's framework, and finally a SWOT analysis. Hence, it is possible to understand the company in depth, so as to take advantage of its strengths and opportunities and overcome the weakness and threats. Accounting for all this, it is possible to design a **marketing strategy** that SdV could follow to achieve its goals. To this end, the segmentation-targeting-position framework is employed, in which the market is evaluated, segments are defined and assessed on their attractiveness, and lastly the target is chosen and positioned to address the its needs. In terms of operationalization, 4Ps framework is used to tackle the four main fronts: product, promotion, place and price. Finally, the **viability** of this strategy is assessed by analyzing three possible scenarios (optimistic, realistic and pessimistic) in which 5-years projections are developed.

Leveraging on data and frameworks, SdV may gain a broader notion of its surroundings and understand how to face its current challenges, whilst investing to grow in the future.

4. EXTERNAL ANALYSIS

4.1. PESTLE FRAMEWORK

This framework allows for a deep understanding of the context surrounding a company, and a thorough analysis may be found in appendix A. Regarding **political** factors, issues such as a country's image, reputation, instability, war and terrorism must be taken into consideration, as they may influence the willingness to travel thus damaging agencies' revenues. Nonetheless, governments may also create incentives to travel, to which attention should be paid in order to collect the benefits. As for **economic** factors, these mainly concern the effects of the 2007-09 crisis,

which deeply impacted Portugal. Nonetheless, the country is recovering, which is noticeable in the GDP and private consumption growth that may be a reflection of growing periods for the industry. Moreover, travel agencies must also pay attention to other indicators, such as interest rates and exchange rates, as these may affect the willingness to travel and disposable income when going abroad. Concerning **social** factors, these mainly have to do with demographics, as Portugal is becoming an aged country, and the changing of mindsets, as people are becoming more interested in unique experiences, rather than material things and are adopting alternative lifestyles. **Technology** is also a relevant factor that affects the whole value chain, and it is important to understand the power of social media, influencers and OTAs. Despite being too costly at the moment, travel agencies should also pay attention to the technological innovations as they may affect the business, such as big data, the cloud, virtual assistants and even artificial intelligence. The **legal** factors are important as they may limit travel agencies' activity. For instance, the General Data Protection Regulation (GDPR) enforced in May 2018 might affect daily operations as it requires new ways to store and process personal data. Lastly, regarding **environmental** factors, the interest in being green and sustainable is noticeable in the sector due to the increased interest in ecotourism. Additionally, agencies should also understand the impact of natural disasters as this may affect consumers' willingness to travel, and of the increase of tourists in certain destinations as the environment is being deeply affected and governments are taking actions to revert the situation, which may include closing places for tourists.

4.2. INDUSTRY ANALYSIS: PORTER'S FIVE FORCES FRAMEWORK

The Porter's Five Forces framework is used to understand the main powers driving competition and profitability in an industry, and a thorough analysis may be found in appendix B. The first force is **industry rivalry**, which can be considered high in this sector due to the numerous and diverse competitors, the slow industry growth that is now showing signs of recovery, the low fixed costs, the lack of differentiation, low switching costs, and low exit barriers. Secondly, the **threat of new**

entrants has a medium power due to the low entry barriers, but rivalry undermines the willingness to enter. These low barriers to entry consist on the inexistence of economies of scale, low capital requirements, few governmental policies difficult to follow, and the possible difficulty in accessing distribution channels can be mitigated by joining a management group; yet there is low product differentiation and high retaliation from incumbents. The **threat of substitutes** consists mainly on OTAs, and such threat can be seen as having a high power mainly due to the low switching costs, the price competitiveness, the quality of service and the similar performance when compared to traditional agencies. Regarding the **bargaining power of suppliers**, this can be considered as having medium to low power. Although they may threaten to raise prices and reduce the quality, there is a high number of diverse suppliers and their rivalry is intense. Also, there may exist some switching costs, and forward integration is a credible threat, however all this can be mitigated when joining a management group. Lastly, the **bargaining power of buyers** can be seen as high due to their price sensitivity, low switching costs, possible backward integration and have access to full information online, despite being very fragmented.

4.3. MAIN COMPETITORS ANALYSIS

As seen, the competition faced by SvD transcends other traditional travel agencies, however, for this analysis, only the direct main competitors will be considered: Traviama, Flywell, QueluzTur, whose benchmark is Viagens Abreu, one of the biggest travel agencies in Portugal. Abreu has a great reputation among consumers and has a vast clients base, which is translated in its great market power, thus competing in a different league than SdV. For these reasons, even though Abreu should not be directly compared to SdV, it should be the standard of comparison regarding pricing and quality. An analysis on the main competitors mentioned can be found below, in Table 1.

	Competitor's Strengths	Competitor's Weaknesses
QueluzTur	<ul style="list-style-type: none"> ▪ 2 offices (Massamá and Queluz). ▪ Offers packages, cruises, trips for seniors, tours in Portugal, themed circuits (e.g. surfing), and radical events (e.g. BTT). ▪ Is also part of Grupo GEA. ▪ Owns a bus fleet. ▪ Website more developed than SdV's: includes product information and an English version. ▪ Active Facebook with content on trips and tips about travelling. 	<ul style="list-style-type: none"> ▪ Low brand awareness ▪ The services provided are only in packages ▪ Uses the same platform for online bookings as SdV (Traveltool).
Flywell	<ul style="list-style-type: none"> ▪ 5 offices in the Lisbon area (the office in Amadora is well-located in a place with high foot-traffic) and 4 in Mozambique. ▪ Offers packages, circuits, and trips to religious destinations. ▪ Very focused on the African market. ▪ Higher presence on social media than SdV ▪ Low prices for plane tickets. 	<ul style="list-style-type: none"> ▪ Low brand awareness ▪ Not possible to make online reservations for flights, only for hotels and rent-a-cars
Traviama	<ul style="list-style-type: none"> ▪ Specialized in bus trips. ▪ Owns a fleet of buses and vans. ▪ Offer circuits and trips to the general public, seniors and schools. ▪ Higher presence on social media than SdV. 	<ul style="list-style-type: none"> ▪ Low brand awareness. ▪ Only offers bus trips and rental. ▪ Present only in Amadora. ▪ Underdeveloped website, with little information on their services. ▪ Not possible to book trips online.

Table 1 – *Competitors Analysis*

4.4. DEMAND BEHAVIOR IN THE INDUSTRY

The above-mentioned transformations in the business environment are impacting the industry's demand, to which travel agents need to acknowledge and adapt in order to prosper.

Regarding spending behavior when travelling, the Portuguese are not big spenders: on average, it is spent 148€ per tourist trip (103€ within Portugal and 550€ abroad), according to Eurostat (2014), which is less than the European Union average (341€).

In addition, austerity measures led to a cut in private consumption, with the total number of trips in Portugal decreasing in 2010 (15%) and 2011 (1%). However, this trend inverted in 2012, and the number of trips increased up to 20.181.900 in 2016 (10% referring to trips abroad and 90% within Portugal). To better understand such evolution, these numbers from Eurostat and INE (2009 – 2016) are analyzed in appendix C according to age, type of organization, main destination and of purpose of the trip. Lastly, according to Pedro Costa Ferreira, from APAVT, the Portuguese are travelling more often for leisure, with the market experiencing a growth of roughly 10% in 2017.

4.5. MARKET POTENTIAL

SdV has clients from all over the metropolitan area of Lisbon, which has the highest population densities in the country, with 934 persons per square kilometer. Amadora, where SdV is located, belongs to this area and has a great market potential of clients, with a population over 177 thousand inhabitants, of which 62% are aged between 15 and 64. Furthermore, Amadora also hosts a high number of firms registered (> 5700), from small (restaurants, shops, services providers) to big companies (e.g. Siemens, Roche, Mondelez Portugal, Leya, Hospital da Luz – Centro Clínico da Amadora), as well as several institutions (e.g. Academia Militar – Aquartelamento da Amadora, firefighters, schools).

5. INTERNAL ANALYSIS

5.1. CURRENT BUSINESS MODEL

As a travel agency, SdV's business model consists on being an intermediary between airlines or hotels and the customer, i.e., organizing trips, securing tickets and accommodation, providing the necessary information and solving any complications during travelling. This way, customers have a simple process, save time and avoid distresses with the arrangements.

MISSION, VISION & VALUES

Any strategy intendeds to achieve a vision (what to become) and with that satisfy a mission (why existing). Also, firms with clearly communicated, widely understood, and collectively shared mission and vision have been shown to perform better than those without them (Bart, et. al., 2001). Thus, these statements are crucial for the company's long-term development and sustainability.

Mission: *“To ensure that all our customers' trips are excellent and match what they want!”*. This should be reviewed as it does not clarify the purpose of being. By defining a clear mission based on its business model, SdV can delineate its strategy as well as position itself in the market. An example could be *“To inspire people to discover the world and enrich their lives with unforgettable memories”*.

Vision: *“Making trips tailored to the taste and needs of each customer is the mold of our way of providing a service”*. The vision should also be redefined as it does not state SdV's long-term purpose and aspirations. It should also take into account the context of times, in order visualize

possible future states and thus define a long-term strategy. An example could be: “*We strive to be the finest travel agency and first choice of travelers, explorers, nomads and wanderers in Lisbon*”.

Values: SdV’s activities and processes follow values such as *honesty, fast reply, constancy, credibility, commitment, responsibility, and constant communication*. Given the nature of the company, *accountability* is also a value that should also be added.

CURRENT SERVICES

Current services comprise mainly products provided by tour operators and own-products: plane tickets, booking of accommodation, international train tickets, vacation packages, car rental, group tours, thematic trips, events for specific groups, cruises, visits and sightseeing, travel insurance, and tourist passes. Recently, given the Chinese ancestry of Teresa’s husband, Bernardo Ho who also works in the agency, SdV started developing thematic trips to China. Bernardo is responsible for organizing the trips and accompanied the group to China in the first edition in 2017. Also, he is organizing three more editions for Fall 2018, with the themes as following: Feng Shui (*China through Feng Shui*), spirituality (*Finding a Purpose – A Retreat in China*), and photography (*Guilin – Photographic Trip*).

5.2. VALUE CHAIN

Traditionally the process starts with the client approaching a travel agency, which is supplied by touristic operators and/or transportation and accommodation companies. However, this is changing, with distribution channels being diversified (e.g. OTAs) and with an emergent disintermediation (the client approaches directly the main suppliers). On the agency-level, the value chain reflects the its role as an intermediary between consumers and suppliers, as seen in the Porter’s Value Chain framework below.

PRIMARY ACTIVITIES

Inbound Logistics: SdV’s trips, circuits and packages can either be owned trips or be previously negotiated with any of the company’s suppliers (see *Procurement*). Generally, the process of arranging one of these trips with SdV starts with the customer requesting a budget. For that, the client reaches out by email, phone or in-store, and provides the details of the trip, namely dates, number of travelers and destinations. For the thematic trips this does not occur, since these are in

group and the budget is already advertised. Moreover, at any point the client may clarify any doubts or concerns.

Operations: Upon the request, Teresa develops a budget by consulting the online platforms that comprise all the information and aggregating it in accordance to the client's needs. The delivery time will be subject to the complexity and the pending requests. Depending on the level of customization, the process may take a few minutes (defined dates and no processes pending) to 1-5 hours (several destinations, variations in dates, including children). Contingent on the existence of pending requests, the budget proposal may be delivered on the day/the following day or between 48 to 72 hours.

Outbound Logistics: Upon the acceptance of the proposal, the clients are asked to send their details in order to make the reservations and bookings through the platform, as well as the partial or full payment, depending on the trip. For total payments, a receipted-invoice is sent along with the documentation of the trip. For partial payments, SdV sends the invoice with the total amount, the signaling receipt, the request for the remaining amount with the deadline of payment, and the documentation of the trip.

Marketing & Sales: Regarding communication, the measures implemented until today have not been as successful as expected. SdV has tried several approaches such as advertising in newspapers, Facebook, Instagram and tourism fairs (BTL – Bolsa de Turismo de Lisboa). However, the investment was usually too high with disappointing results and barely any additional revenues. As a matter of fact, most of the clients are either old customers of the previous company, referred by other clients or know SdV by passing by the store and get interested in the services.

Service: SdV tries to personalize its interaction with clients, which is done by e-mail, phone or in person, to make sure the client is pleased before travelling. However, the follow-up upon the arrival is still under developed and is not performed regularly. Nonetheless, clients are occasionally contacted using the mentioned channels to know how the trip went and whether they were satisfied with the services.

SUPPORT ACTIVITIES

Firm Infrastructure: SdV joined Grupo GEA, a management group that integrates independent travel agencies and that negotiates prices and purchasing conditions with the suppliers. This brings advantages for SdV, especially a negotiation leverage that it would not have otherwise given due to its dimension. Furthermore, there also other advantages, for instance, Group GEA provides the opportunity of having an online platform for the client to books trips (Traveltool), and in terms of legal aid whenever an issue is raised, there is an attorney available to answer any questions. Regarding accounting, SdV is in the process of switching accountants due to problems in the service in the past years (delays in the delivery of tax documents, fines, lack of management indicators,) Furthermore, Teresa is in charge of the strategic management of the company, however this has not been much developed due to lack of time.

Human Resources: Teresa is in charge of the majority of operations and her husband, Bernardo Ho, is responsible for the trips to China. In order to improve their skills and know-how, Grupo GEA provides workshops and education sessions. Moreover, currently hiring a new employee is not an option, unless the volume of revenues increases.

Technology: Besides the physical store, SdV has a website where Traveltool is associated: a platform where the clients can make their own booking of flights, hotels, cruises and circuits, provided by Grupo GEA. Moreover, to communicate with the suppliers there are also online platforms, which include products and pricing that the agency can adapt if pertinent. In order to books flight seats, they also use Travelport and Galileo, which aggregate airline companies and have prices and availability of seats. For managing their daily tasks, Excel is the main platform in use, however they are working to buy an internal software and thus integrate all the information.

Procurement: Grupo GEA helps SdV negotiate with most of its suppliers by acting as a bridge between the agency and tour operators (Nortravel, Soltour Soltrópico, Travelplan, etc.), airline companies, car rental agencies (Avis, Hertz, Goldcar, etc.), and cruise companies (Msc, Costa, Royal Caribbean, etc.). Whenever the agency designs its own circuits, the process is different, since SdV negotiates directly with local suppliers, except on what concerns flights, as for these it resorts to the Travelport platform.

5.3. SWOT ANALYSIS FRAMEWORK

Strengths	Weaknesses
<p>1) <u>Know-how</u>: Teresa has been in the sector for 17 years. Such experience can be perceived as reliability, and customers trust her to deliver great experiences.</p> <p>2) <u>Connection to China</u>: Bernardo Ho has Chinese ancestry, which has proven to be advantageous to the company by developing themed circuits to China, different from the ones provided by the competition.</p> <p>3) <u>Faithful and diverse base of clients</u>: Despite being in an area distant from the center of Lisbon, where the business center is located, SdV has managed to build a well-diversified varied base of clients throughout the years, most of whom book several trips per year.</p> <p>4) <u>Word-of-mouth</u>: Although SdV has not invested in marketing thoroughly, most of its sales derive from word-to-mouth, which can only be achieved when good experiences are delivered.</p> <p>5) <u>Personal touch</u>: Each trip is handled by Teresa, who knows her clients and makes sure everything is according to their wants and needs.</p> <p>6) <u>Membership in Group GEA</u>: Being part of such groups allows SdV to have a negotiation leverage, along with support in various fronts from the group.</p>	<p>1) <u>Brand image and awareness</u>: SdV is not a very well-known brand and still needs some development, per example: the company's name could be refreshed as it is difficult to pronounce by foreigners and is not very memorable, the logo could also be adapted to look more polished and elegant, and the website is not as developed nor as appealing as some other competitors. This can be prejudicial for the company, as it may give a sense of lower credibility or reliability.</p> <p>2) <u>Lack of communication strategy</u>: There is no communication strategy in place and regarding social media, there is only a Facebook account not regularly updated. This happens because Teresa is focused on the company's operations and cannot allocate time to such activities.</p> <p>3) <u>No follow-up</u>: No regular follow-up upon arrival is made to know how the trip went nor suggest future trips.</p> <p>4) <u>Product differentiation</u>: Most services provided are not very different from the competition, making it difficult to have an advantage.</p> <p>5) <u>Location</u>: SdV is located in Amadora, outside Lisbon, in an area where foot-traffic is not ideal and relatively distant from the subway and train stations.</p>
Opportunities	Threats
<p>1) <u>Shift of mentalities</u>: Health, body, mind or environment are some of the new concerns of today's society. For SdV, this can be an opportunity to design circuits and packages in accordance to such interests and gain competitive advantage.</p> <p>2) <u>Growing need for personalization</u>: Bulk products without any kind of customization are no longer what consumers want. The need for customized products is opening doors for innovating the type of services offered, become different from the competition and explore other ways to satisfy the client, although this may require an additional effort from the company.</p> <p>3) <u>Technological advancements</u>: SdV can take advantage of such developments to its benefit. Even though the most advanced systems are still too costly for small companies, there are other there are already reachable such as the use of CRM.</p>	<p>1) <u>High competition</u>: Competition has become very intense, with the high number of agencies and OTAS, which may undermine SdV's performance.</p> <p>2) <u>Seasonality</u>: The sector is known for its seasonality, which can be damaging for agencies without a regular stream of revenues and fixed costs. For SdV the high peaks of sales are in March, April and July, while the rest of the year is flatter.</p> <p>3) <u>Fragile economy</u>: The Portuguese economy is still fragile and volatile, and any sign of going backwards may change the consumers behavior, who would be less willing to travel, similarly to the 2011 crisis.</p> <p>4) <u>Lack of understanding of travel agents' value</u>: Younger generations in particular do not understand the added value of booking trips with travel agents.</p> <p>5) <u>Terrorism and natural disasters</u>: Despite being unpredictable, these events can greatly affect the willingness to travel. Travel agencies could use this threat</p>

4) “Ropo Effect”: According to Rose (2009), the “research online, purchase offline” effect is an idea on how travel agencies can work synergistically with OTAs, and that SdV could explore in its communication. to improve their customer service (e.g. if an ash cloud hits, instead of referring the client to the airline website, the travel agent could provide assistance).

Table 2 – *SWOT Analysis*

6. MARKETING STRATEGY

6.1. SEGMENTATION, TARGETING AND POSITIONING

According to Wright (2004), when developing a marketing strategy, it is imperative to segment the market so that the products match the needs of each client group. Currently, SdV offers three main products: packages and services for organizations (B2B), packages and services for private consumers (B2C), and own-circuits to China (B2C). A deeper analysis can be consulted in appendices D to F.

B2B Packages And Services: When developing this segmentation four prerequisites must be common to all segments: the companies must be located in the metropolitan area of Lisbon, they must not want to book the trips by themselves, and therefore want an assured service without issues, and finally they must have the financial capacity to afford travelling. With these prerequisites and the below criteria, three segments arise as the most plausible ones to be explored by SdV for this product. Their profiles are as follows:

Variables	Schools	Small companies	Big companies
1) Type of organization	Educational organizations (e.g. Schools)	Micro and Small companies	Medium and Big companies
2) Available resources to travel	Low resources available	Low resources available	Some resources available
3) Purpose of the trips	Study trips, education sessions for teachers	Business trips, attend conferences, holidays for collaborators	Business trips, attend conferences, holidays for collaborators
4) Number of travelers per trip	15-40 persons	1 – 5 persons	1 – 5 persons

Table 3 – *Segmentation – B2B packages*

To choose which target SdV should focus on, the attractiveness of each segment has to be assessed. Regarding the segment potential, schools (280 thousand students and teachers) and small companies (260 thousand employees) seem to have the highest number of potential clients (big companies employ around 150 thousand collaborators). In terms of profitability, assuming the average spending per business trip is €501,02 (Pordata, 2016), and the fact that schools usually

spend about €130 per person (given the trips organized by SdV's specifically for schools), small companies are the ones with higher potential profitability when capturing 0,1% of the market. However, given the fragmentation of small companies, the implementation may be challenging. Targeting big companies may also reveal to be difficult given that this type of firms usually has established partnerships with big travel agencies and may not be willing to substitute them. Schools may be easier to reach mainly due to the proximity of the agency to several schools in Amadora, however, since these involve children travelling it may be difficult to convert schools as clients. Thus, SdV should focus on **small companies**, and in the medium-term move its effort to schools.

As for the positioning, it should go as follows: *“For micro and small companies in the metropolitan area of Lisbon that seek easy solutions for business trips, attend conferences or book holidays for their employees, Sair de Viagem is the travel agency that will provide assistance on booking and reservations for worldwide trips, without any burden for the client while having a fast and personalized delivery.”*

B2C Packages and Services: For this segmentation, five main prerequisites must be common to all segments: live or work in the metropolitan area of Lisbon, interest in travelling, not wanting to book or make reservations by themselves, desiring an assured service without complications, and finally, must have the financial capacity to afford travelling. With these prerequisites established and the below criteria, three segments arise as the most plausible to be explored by SdV, with profiles as follows:

Variables	1. Travel Fanatics	2. Family Focused	3. Senior Explorer
1) Age	25-39	30-54	60 - 79
2) Family size	No children	One or more children	Children already grown up and not travelling with them
3) Socio-economic conditions	Medium	Medium	Medium
4) Preferred time of the year to travel	Several trips throughout the year	Travelling only during the holidays (Summer, Christmas and Easter)	Throughout the year, depending on the trip
5) Preferred type of tourism	Different destinations, adventure, discovery	Family-friendly destinations	Cultural and historical destinations

Table 4 – Segmentation – B2C packages

Choosing the target for this product requires the assessment of the attractiveness of each segment. Regarding growth, from 2015 to 2016, all the segments have increased, however, the

Senior Explorers experienced the highest growth. In terms of size, the Family Focused segment includes far more people than any of the others, and assuming an average spending on leisure trips abroad of €472,20 (Pordata, 2016), it also exhibits higher profitability than the other two segments, which have a similar profitability. The hardest segment to implement seems to be Travel Fanatics, as this segment looks for many different trips outside the usual packages, which may be difficult to cope with, as well as it could be more willing to organize the trips by themselves. On the other hand, the last two segments would be easier to reach, not only because SdV already understands these groups, but also because they are more prone to use travel agencies to simplify all the arrangements. Thus, SdV should target the **Family Focused**, and move to the Senior Explorers in the medium run since it's a growing segment that SdV already knows.

As for the positioning, it should go as follows: *“For middle-aged persons (30-54) in the metropolitan area of Lisbon, that want to travel with their children, Sair de Viagem is the travel agency that can provide all the assistance necessary to arrange a trip for several destinations with multiple persons who have different needs, while providing a fast and personalized delivery.”*

Circuits in China: For this segmentation eight main prerequisites must be common to all segments: interested in travelling, attracted by the Orient and the exotic, willing to travel in group, living or working in the metropolitan area of Lisbon, do not want to book or make reservations by themselves, want an assured service without issues, and finally must have the financial capacity to afford travelling. With these prerequisites established and the below criteria, three segments arise as the most plausible to be explored, with the following profiles:

Variables	1. Luxury Travelers	2. Culture Enthusiasts	3. Experiences Seekers
1) Age	35-59	30-54	25-49
2) Socio-economic conditions	High	Medium	Medium
3) Type of experience sought	Looking for a spiritual and self-discovery experience	Looking for a cultural and historical experience	Looking for a specific activity/adventure
4) Type of lifestyle	Busy people, who want to relax, but also have a high-end experience	People with a moderate to busy lifestyle, wanting to discover new cultures	Active people, who have several hobbies and want to explore different things

Table 5 – Segmentation – *Circuits in China*

In order to choose which target SdV should focus on, the attractiveness of each segment has to be evaluated. In terms of size, the Experiences Seeker is the segment with the highest number of

potential clients (96 thousand), followed by the Culture Enthusiasts (77 thousand) and Luxury Travelers (21 thousand), all of which have been experiencing a positive growth. Furthermore, assuming an average spending on leisure trips abroad of €472,20 (Pordata, 2016), and assuming that Luxury Travelers spend twice as the other groups, Experience Seekers are the segment with higher profitability. In terms of implementation, Experience Seekers can be defiant given its fragmentation and need for differentiation, and the luxury travelers require a high monitoring and personalization of the experience, which may be hard to achieve by the two staff of SdV. However, given the great potential, SdV should target the **Experience Seekers** for the circuits in China.

The positioning should go as follows: *“For the middle class between 25 and 49 years old, that is looking for different experiences in the Orient, Sair de Viagem is the agency that provides unique thematic trips to China, unlike from the traditional trips, while offering all the needed assistance.”*

6.2. MARKETING MIX: 4 P’S FRAMEWORK

PRODUCT

With the current business model and the partnership with Grupo GEA, modifying existing products is not viable, except regarding the China-circuits, as they are entirely designed by SdV. Thus, it would be better to improve the service delivery, which is key to the firm’s value proposition.

Considering the process for buying a trip (appendix G), SdV can improve several touch points. In the first two phases (dreaming and research) the agency can improve its marketing material (website, flyers, etc.) to instigate clients’ desire to travel. Furthermore, SdV should also implement a CRM platform (e.g. Salesforce), to help managing the clients’ accounts, record their interactions with the agency, and aggregate their information. With this, it is possible better understand the customers, what they like and what they need, i.e. improve the customer relationship. This may also be used to help the client by considering previous experiences when booking a new trip.

At the decision phase, the role of the agency is determinant for the success of the trip. SdV is already applauded by its customers for its quickness and efficiency in solving problems, however this may also be enhanced for an even better client satisfaction. It is important throughout the whole process to have a clear communication, hear the client and let him feel in control, and to always transmit a friendly, authentic and reliable message, while treating the clients in a hospitable and

genuine way. For a better delivery, having all information systems centralized would represent a more efficient structure while releasing time that could be allocated to other important tasks.

Upon the beginning of the trip, the agency could also play a role in the preparation to mitigate the risks of problems during the trip, for instance, it could send an SMS, e-mail or WhatsApp message as a reminder of important documents, things to bring or with the most important advices that the clients should remember before embarking on their journey.

At the last stage in the clients' value chain (the return), the major improvement should be done to the follow-up, which at the moment is not done regularly. This sort of contact is essential to nurture long-term relationships and foster clients to return. In this sense, upon the clients' arrival, SdV should contact them immediately, through e-mail or SMS to ask them how the trip went and reinstate their presence in case assistance is needed. After this interaction, the agency should do a deeper research on the clients' satisfaction by sending a simple and quick form to receive their feedback on the service. For the group trips, it would also make sense to include the photos of the trip, along with certificates of participation whenever activities and workshop took place. Furthermore, given its faithful base of clients, it would make sense to implement a loyalty program, through which it could build stronger relationship with the clients. With the above-mentioned CRM, this sort of program could be implemented in an easier way, to the point in which the agency could remember clients' preferences and anticipate their needs while being close and present in their lives, for instance, by wishing a "happy birthday" or a "merry Christmas" to remind the customers that SdV cares about them – and has products for every occasion.

Lastly, depending on growth and given the current staff of two employees, hiring a third person should be considered. In fact, as already mentioned, it is difficult to work on marketing and improvements as the focus is in operations and service delivery. Therefore, adding a collaborator to the team, even if only in part-time could in fact help enhance the company's performance.

PROMOTION

Communication is key in the customer journey and according to Porcu, Barrío-Garcia & Kitchen (2012), using an integrated marketing communication strategy is linked with brand and marketing communication performance and impact on stakeholders, which directly impacts the

company's financial results. Thus, this strategy should have one voice, be interactive, have a cross-functional planning, and intend profitable long-term relationships.

Firstly, SdV should consider renewing its image, for instance, through the **logo** by making it more modern and aesthetically innovative. According to Grobert (2016), the logo has an important role on brand identification and on brand recognition, while being a reflection of the firms' values and what it stands for. Yet, the author considers that replacing a logo should be done carefully with constant communication, especially with the most attached customers, to avoid a negative effect.

For consumers not acquainted with SdV, the **website** provides the first impression on the agency, thus the importance of transmitting the right messages of trust, reliability and desire for travelling. Subsequently, it should also be customer-oriented and user-friendly, and the content has to be relevant for the users whilst being regularly updated. In this sense, there are several pieces of information that the website should include, namely: description of packages, circuits and other services, special offers and promotions, cancellation policy, frequently asked questions (including information on the several ways to book a trip with SdV), privacy and security, "about us" section to know more about the company, contact details (e-mail, phone, address, social media). Other functionalities that could added are a search function, a call back service, a "contact us" section, and the possibility to subscribe to a newsletter. For the long-term, and depending on the growth of the company, it could also be considered to use chatbots in the website to facilitate the communication with visitors while freeing employees' time. Lastly, the layout should also be revised in order to be more appealing and comprise all this new information.

Furthermore, the agency should invest on digital marketing, mainly **social media**, such as Facebook, Instagram, TripAdvisor and LinkedIn (the latter mainly for the B2B sector), by having an account and being active, incentivizing clients to write reviews, and investing in adds. Other types of social media that could be explored include Twitter, Pinterest and Snapchat. As previously mentioned, social media is everywhere and is of the utmost importance for the general public, who expect businesses to be present in such platforms. However, to be relevant nowadays, the content published has to be carefully thought of and several aspects need to be taken into consideration namely: 1) people use social media to be entertained, educated and informed, not to get hounded

by offers and advertising, thus the messages should add value to customers, for instance through posts with travel tips, things to see in a city, or even contests that to win discounts or a free trip (e.g. to win a trip, the customer has to share a certain post on social media while tagging several friends); 2) to capture the users' attention, posts should be visual instead of long and descriptive; 3) taking advantage of the FOMO effect (fear of missing out) can be beneficial for the agency, by posting exclusive campaigns that will motivate users to follow SdV's pages for the fear of missing other opportunities; 4) social media is also a bridge between the company and the customers, who use these channels to ask questions and provide feedback, thus it is important to be responsive and conversational with them in order to show concern for the client; 5) although people expect companies to be on social media, it is always important to remind the customers where the company is present, for instance on the website, e-mail signature, receipts and word-of-mouth. With all this, SdV could also explore the idea of partnering with **influencers**, in which the agency would provide a trip and the influencer would have to do share photos/videos, opinions, posts about the trip and the agency. Examples of influencers would be João Cajuda, known for his travel blog, Ana Garcia Martins, from *A Pipoca Mais Doce* and one of the most read bloggers in Portugal, or Sónia Morais Santos, from the popular family blog *Cocó na Fralda*. To further enhance such strategy, SdV could also be present in **specialized websites**, such as NiT, a digital magazine focused on lifestyle, culture, leisure and the latest trends in Lisbon, through press releases. Also, SdV should continue to promote **word-to-mouth** from current clients, which has proven to be successful.

Lastly, in a more further stage, tools such as **AdWords**, **Google Analytics** and **Search Engine Optimization (SEO)** could be explored in order to attract a broader range of customers.

PLACE

Currently, the main distribution channel is the store established in Amadora, in an area near schools and several small businesses, that has an annual rental contract. The temptation of moving to Lisbon, an area that has a higher foot traffic and is closer to more companies, should be discouraged since rents in the city have been rising in the past two years, even leading many small businesses to close, allied with the fact that SdV has a loyal-customer base that resides in the area and chooses the agency for that reason. However, in the medium-term and depending on revenue

growth, SdV could consider the possibility of expanding to a second location in accordance to the customers portfolio address and potential market. Moreover, the partnership with Grupo GEA allows SdV to have an e-commerce platform, which should be used to mitigate the impact of competition from OTAs, but does not have great affluence, a situation that should be reverted to cope with the rising competition.

In sight of increasing its revenues, other channels could be explored, mainly for B2B products and Chinese circuits given their particularities. For the former, SdV could create a portfolio of possible companies to approach in the area and contact them directly to offer its services. For the latter, SdV could reach out to networks of people interested in the Asian culture, such as languages schools, Chinese medicine institutions, Orient-relates museums, or organizations that promote the Chinese culture in Portugal, such as Associação Cultural Luso-Chinesa. In addition, it should also consider the theme of the trip, for instance, for photography trips reach out arts or photography schools, or for feng-shui trips it would be interesting to reach out the Order of Architects or ateliers.

PRICE

In the client perspective, the price of a product/service is in fact a cost, and whenever doing the pricing of a trip, SdV should take this into consideration. Additionally, it should also be noticed that every trip and circuit will have a different cost for the client depending on the specifics of the trip: what is included, destination, number of travelers, etc.

Furthermore, SdV operates in an industry that can be very price competitive, given the high number of competitors and their diversity. Also, being a small company, SdV does not have a great leverage when negotiating with its suppliers. As above-mentioned, to overcome this issue, SdV partnered with Grupo GEA, which is responsible for all the negotiations and provides SdV with a final price for each package, which already includes a margin for the agency. This margin is usually of 15%, however, given that the clients also have some bargaining power, this margin may be subject to change. Therefore, SdV should continue with this pricing model, since it provides advantages that it could not get otherwise.

Besides, there is no intervention from Grupo GEA in the pricing of the Chinese circuits, since, as already mentioned, these products are completely designed by SdV, which tries to create several

alternative experiences to remote locations in China throughout the year. Therefore, without any tour operator providing these trips, Grupo GEA is not involved in the negotiation process. It is then the agency who negotiates directly with the local suppliers and applies the usual 15% margin, however due to this flexibility in negotiation there may exist some space to increase margins.

7. FINANCIALS – SCENARIO ANALYSIS

Assessing the viability of such strategy is essential to understand if it should be undertaken. To this end, a scenario analysis, and included an optimistic, a realistic and a pessimistic scenario for a period of 5 years (2018-2022). For a further analysis refer to the appendix H.

The strategy developed intends to enhance SdV's long-term profitability, and to pursue these objectives some investment is required, mainly on: 1) website and image development, which represent a one-time investment; 2) social media adds, whose level of investment can be done according to the company's need and may vary; 3) influencers, which depending on the focus of the company can represent, for instance, a trip for one person to China or even trip for two persons in Europe; 4) CRM, which is assumed to be the “small companies” package of Salesforce; and 5) a future part-time employee, who would start in 2019 to help SdV keep up with the increase demand. Furthermore, in all these three scenarios, both direct and indirect costs (including miscellaneous costs and personnel expenses) are assumed to grow with the inflation rate, as according to Teresa, these tend to be relatively constant and without major differences throughout time. Furthermore, given the time of writing of this project, in all scenarios it is assumed that in 2018 the revenue growth will be at the most 5%.

In an **optimistic scenario**, it is estimated a revenue growth of 20% per year by reaching 0,1% of the targeted segments, which may be represented (example of growth scenario: 2 average trips in B2B packages, 1,5 average trips in B2C packages, and 1,5 trips in China trips). Additionally, SdV would surpass the current net profit of about 100 192€ to achieve about 114.354€ in 2019 and 210 495€ in 2022.

In a **realistic scenario**, revenues are estimated to grow at the same rate of 10% as the market, which could be represented by reaching 0,1% of the targeted segments (example of growth scenario: 2 average trips in B2B packages, 1,5 average trips in B2C packages, and 1 average trip in

the China trips). Also, in this picture, in 2019 SdV would be able to outdo the current net profit by about 4.000€, amounting for 103 284€, and achieve a net profit of 143 020€ in 2022.

Lastly, in a **pessimistic scenario**, revenues are expected to grow only by 5% per year, which may be represented by reaching 0,1% of the targeted segments (example of growth scenario: 1,75 average trips in B2B packages, 1,5 average trips in B2C packages, and 1 average trip in the China trips). Yet, in this setting, 2017 net profits would only be surpassed in 2020, by achieving a net profit of 103 374€ and 115 500€ in 2022.

8. MAIN RECOMMENDATIONS

After analyzing and reflecting on SdV's external environment as well as its internal reality, it is understood that there are several aspects requiring attention. In this sense, the company should have a clear sense of purpose and a direction to follow, and considering the three main types of products, SdV should redefine its marketing strategy and target small companies for B2B products, families for B2C products, and people looking for experiences and activities for the trips to China.

To reach these targets, SdV has four fronts to tackle: product, promotion, place and price. However, the latter is the least flexible factor, as it is dependent on Grupo GEA's negotiation, thus not being as developed in this strategy. Therefore, SdV should focus on improving the service delivery while betting on promotion and reaching out for new channels. Firstly, regarding the product, SdV should implement a CRM platform to aggregate all the information and personalized the service, provide a rich and meaningful follow-up for each trip, and consider hiring an employee to cope with the increasing demand. Regarding promotion, SdV should follow an integrated strategy and improve its brand and website, while betting on social media and influencers. Lastly, regarding place, SdV should deeply consider the types of channels used as they should be directed to the targets, for instance by directly approaching firms and other organizations.

All things considered, this strategy is predicted to improve the firm's relationship with its clients, gain market share and increase revenues, thus, SdV should consider its implementation.

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APPENDICES

APPENDIX A

PESTLE FRAMEWORK

Political Factors: The image and reputation of a country is influenced by its political environment. For instance, Brexit may be damaging if it is decided to close the borders and reinstate visa requirements for European countries. Or the election in of president Trump, in the USA, which is already showing negative results, with the polemic statements and measures of the president leading to a negative reputation of the USA and to a tourism decrease of 4% in 2017, according to *US News*, while during the Obama's administration until 2016, tourism had been increasing. A travel agency needs to have this in consideration, as trendy destinations may lose their popularity due to political reasons. In addition, terrorism and war may also damage the sector. Per example, after the 2015 Paris attacks, the city suffered from a major decline in visits (representing a loss of €1,3 billion) due to the fear of new terrorist attempts. Likewise, countries such as Egypt, which have always been a popular destination, are now being undermined by war and instability. People are concerned with their safety in such hostile conditions and prefer to travel elsewhere, as it is noticeable by the decrease in tourists in Egypt: from 15 to 6,3 million between 2010 and 2015. This is problematic for travel agencies as their offer maybe subject to the countries' political risk. However, political decisions may also positively influence tourism, such as the European Schengen area, which allows travelling within the signing states without passports nor visas. Lastly, some governments, such as Portugal or Germany, imposed measures to encourage tourism, like the tourism tax free that allows tourists to claim back the VAT spent in goods in the visiting country.

Economic Factors: The international financial crisis of 2007-09 had a great impact in Portugal and particularly in the tourism industry, with consumers willingly cutting on leisure, including travelling, as a first-measure to adapt to the austerity measures. Nevertheless, Portugal started showing signs of its slow recovery in 2013, but the absolute levels of production of wealth and of the public and private consumption are still below the numbers observed prior the crisis. Furthermore, the Central Bank of Portugal, in its three-year projection, expects the Portuguese economy to continue to expand, but at a smaller pace. For instance, the GDP is expected to grow on average 2% per year until 2020, indicating a small recovery of the Portuguese economy after a growth of 2,6% in 2017, and private consumption

is expected to increase at similar rates. This should derive from the evolution in disposable income along with a moderate growth of the real wages, a recovery of the labor market and a decrease of the unemployment rate. For the tourism industry this may be the sign of higher revenues in the near future, with people more willing to travel by having more disposable income. Finally, other economic factors may influence a travel agency are exchange rates and interest rates. Regarding exchange rates, whenever a currency strengthens or weakens it may affect the spending overseas and the willingness to travel. As for interest rates, when these increase, a similar effect will happen to loan payments, thus diminishing the disposable income, directly impacting the expenses on travelling.

Social Factors: Portugal is considered an aged country, with half of the population lying between the ages of 30 to 64. This may result in a shift of demand, since people in their later years have different needs and wants. Moreover, the interest in material objects is changing, now the focus being on unique and personalized experiences, from recreation or dining out to travelling. This has opened space for companies such as Airbnb, who have profited from this sort of mindset. By focusing on the whole experience, making the process easy, digital, smooth, integrated with other services, and with a good price/quality relation such companies have been stealing space from the traditional hotels, thus affecting the whole travel industry. Furthermore, there has been a change in mindsets, with consumers being keener on following trends and adopting different lifestyles, while trying to maintain a uniqueness in their way of living. Some examples are the *going green and healthy* attitudes. These trends have a direct impact in the business, since not only do they affect what consumers want, but also their perception on companies. This type of consciousness about the world and about the self can either harm a company's reputation and revenues, or improve them, thus its importance.

Technological Factors: Technology is changing the whole value chain of the tourism industry. For instance, social media came to stay and with it the eagerness to share everything. Its success is so broad that people are making a living of it: the so-called *influencers*. These people reach a celebrity status by having a great number of followers who see in them a desirable and attainable way of living. For instance, the travel blogger João Cajuda has thousands of views per month and was even recognized by Forbes and was in the Top 15 most influential travel blogs. Moreover, with the democratization of internet and mobile apps, OTAs have risen, making it easier, for instance, to have

personalized searches, compare prices, or even book trips at the distance of a few clicks and without dislocation, thus easing the whole purchasing experience. However, greater developments are being made and concepts such as big data, the cloud and artificial intelligence are being introduced and integrated in the market. With these technologies it is possible provide a better and more customized experiences for the client, with virtual assistants, personalized search results, marketing campaigns according to the client preferences. In other words, creating personalized experiences that are relevant for the client while mitigating pain points that still exist. Despite these high-tech progresses, two issues still need to be taken into account: costs of implementation and human connection. These technologies are still too costly, especially for SMEs, while the need for human touch is still considered important and consumers are not ready to give it up, i.e. technology should be used to leverage the experiences without losing the sight of the human touch.

Legal Factors: The travel industry must follow the legal rules and regulations of all the states it operates on. For instance, an important aspect regards visas. In Portugal, a normal citizen will not have troubles on this matter for the majority of the world, being visa-free for 122 states and requiring only visa on arrival for 37 states. Furthermore, with the uprising of data-driven technologies the issue of data privacy is of the utmost importance, and the European Union is taking action. The General Data Protection Regulation (GDPR) is being enforced this May 2018, in order to harmonize data privacy laws, protect and empower citizens, and redefine companies' approach on data privacy. This regulation is binding, and the non-compliance will result in major fines. Thus, companies will need to do a data mapping and reassess the way data is handled, since consent has to be required on storing and processing data, and consumers have the right to access such data and to be forgotten.

Environmental Factors: The shift of mentality on environmental matters has led to an added interest in *ecotourism*, i.e. sustainable tourism focused on conservation, education, traveler responsibility and community participation. 2017 was even recognized by the United Nations as the *International Year of Sustainable Tourism for Development*. Thus, the industry should acknowledge these changes and adapt accordingly. In addition, some issues to consider are the increase of tourists, the crowd behavior and the associated pollution, as ecosystems like the Great Coral Reef in Australia are being destroyed, with low probability of full recover. To mitigate such effects, governments are reacting, per example

in the island of Koh Phi Phi Leh (Thailand), the Maya Bay will be closed for tourists during Summer, in an attempt to reverse the years of stress put in the corals and decrease the levels of pollution. This is an issue for travel agents, as the offer of popular destinations may be closed to the public when the demand is at its highest. Furthermore, natural disasters, such as hurricanes or floods affect the number of tourists: flights can be disturbed or canceled, and people are less likely to travel somewhere perceived as dangerous. On the other hand, locals are also hurt by such events, as local attractions and infrastructures may be destroyed. This hurts the consumption of touristic service and country's economy, just in Sri Lanka at the time of the 2004 catastrophic tsunami.

APPENDIX B

PORTER'S FIVE FORCES FRAMEWORK

Industry Rivalry: Rivalry exists because competitors feel the pressure or see the opportunity to improve their profit. To assess its intensity there are several factors to consider. First, the number of competitors, which in Lisbon and in Amadora is high, from small to big travel agencies (761 companies in the Lisbon district). Another factor is the growth of the industry, which in this case is slow, which heightens the competition in the quest for expansion. Regarding fixed costs, these are not high, but for small agencies it can be considered as such given that the high rents in Lisbon, taxes, social security and other fixed assets they may have (e.g. buses), may be difficult to bear while keeping a profit margin. There is also the issue of lack of differentiation and low switching costs (the cost to substitute the product), since travel agencies are mainly differentiated by destinations or type of trips offered. Despite this, there is a high level of diversity in competitors, from small groups to international corporations operating in Lisbon, all of which have different strategic stakes, thus driving the competition. Lastly, the exit barriers are barely nonexistent, most of which concern labor requirements and contracts with clients. When exit barriers are high, companies will keep competing even if they are earning low or even negative returns on investment. Hence, the threat of industry rivalry can be considered **high**, as it is intense among travel agencies in the Lisbon area.

Threat of New Entrants: This threat mainly depends on the barriers to entry. First, economies of scale are nearly inexistent for travel agents, however for tour operators (wholesalers) this may not be

the case. Second, capital requirements are not many (physical location and equipment), but fixed costs can be difficult to bear by new firms, especially on what concerns the inflating rents in Lisbon. The possible difficult access to distribution channels is easily mitigated by joining a management group that supports small companies, as SdV did. In addition, there are barely any governmental policies hard to follow, as the license to operate is easily obtainable. However, product differentiation, which is mainly based on destinations and types of trips, can be quite difficult to achieve given the high level of rivalry, as seen above. Lastly, retaliation from incumbents is mostly done on price and marketing campaigns to reinforce customers' loyalty, which is difficult to cope by smaller agencies. Hence, this threat can be considered **medium**, as setting up a new travel agency is relatively easy due to the low entry barriers, but rivalry is high, undermining the willingness to enter the market.

Threat of Substitutes: The main substitutes of traditional travel agencies are OTAs, i.e. digital platforms that allow the booking of flights and accommodation (e.g. eDreams, Momondo, Booking.com), and its threat can be considered high according to four factors. First, unless the consumer already has a relationship with his travel agent or is part of a loyalty program, there is no cost to switch agents. Secondly, price is a relevant factor, since OTAs' prices tend to be lower as the client has to book the whole reservation alone. On the other hand, in a travel agency everything is provided by the agent, thus being costlier. Regarding the quality of the service, the main difference relies on human contact and in the problems that may arise with bookings, which are handled more easily by resorting to a travel agent. Finally, the last factor has to do with performance, which as mentioned is effective in both cases, but while OTAs have the advantage of being available in several platforms, everywhere at any time, and allowing price comparison, travel agents have the advantage of human touch and mitigating pain points for clients in what concerns bookings and travel design. Furthermore, with the technological advancements taking place, the market may expand and become more efficient, while opening doors to new competitors and clients. Hence, this threat can be considered **high**, as the risk of substitutes stealing customers and market space is also quite high.

Bargaining Power of Suppliers: Suppliers have bargaining power by threatening to raise prices and reducing the quality of the services offered, and consist mainly on airlines, hotels, tour operators, cruise companies, insurance companies, and rent-a-cars. First, there is a high number of different and

diverse suppliers, in size and uniqueness of service, and the competition between them is fierce, which decreases their bargaining leverage. However, switching costs may exist due to contractual obligations or partnerships. Moreover, the services provided by these suppliers are important inputs to travel agencies, and forward integration is a credible threat, with hotels and airline companies selling directly to consumers, which increases suppliers power. For small companies, such as SdV, this bargaining power can be mitigated by managing groups, which help them negotiate with big suppliers. Hence, suppliers can be seen as detaining **medium** power.

Bargaining Power of Buyers: Buyers can impact a company by forcing down prices and bargaining for better quality and more services, while putting competitors against each other. First, buyers are very fragmented, thus diminishing the bargaining leverage of each segment. Notwithstanding, each purchase represents a significant fraction of consumers' income, exposing travel agencies to a very price sensitivity from their part. Clients have very low switching costs and consequently they might not be attached to any particular travelling agency – also due to the low level of differentiation –, thus being able to change quite easily. This idea is reinforced for the low level of differentiation among companies, as previously mentioned. Moreover, there is a credible threat of backward integration, as the buyers can book their reservations directly with airline companies and hotels, without needing an intermediary. Finally, consumers have access to full information online thus are in a greater position to ensure they receive the best prices and the best quality for the services they want. Hence, buyers can be considered as having a **high** bargaining power.

APPENDIX C

ANALYSIS OF THE DEMAND BEHAVIOR IN THE INDUSTRY

Age: The age group with more travelers concerns people between 24 and 64 years old, corresponding to the vast majority of the active population. Actually, the numbers are relatively constant in terms of proportion of the total amount, being on average 57%. Young people, with less than 24 years old correspond to 29% and about 15% corresponds to people with more than 65 years old, which is the group that has had the most positive growth.

Type of organization: Travel agencies are not the preferred method of the Portuguese for organizing trips, when accounting for the total amount of trips. In fact, for trips within the country, people tend to not book beforehand (79%). Regarding trips abroad, doing a direct reservation (50%) or using a travel agency for partial or total reservation (37%) are the main choices. However, reservations through travel agencies have seen a decrease between 2010 and 2013 of 2% and 15%, mainly due to the crisis Portugal faced.

Main Destination: The Portuguese tend to be proud of their heritage and landscapes, which is a major driver for domestic tourism. Moreover, weekend trips and short breaks within the country are becoming more and more popular, as economic conditions have been improving. Regarding traveling abroad, Europe is the preferred continent, with most of the trips having the neighbor Spain as destination (36%), followed by France, the UK and Germany. The Americas are the second preferred (8%), while Africa is the third (6%).

Purpose of the Trip: The Portuguese travel mainly due to holidays, visiting family and business. Regarding domestic trips, the first two are the most relevant, accounting for 44% and 46%, respectively. These numbers have remained relatively constant throughout the years, except for 2010 and 2011, for which there was a major fall. Regarding foreign trips, business trips become a relevant factor (22% of foreign trips). The other two reasons, leisure and visiting family, represent 53,2% and 22%, respectively. It should be noticed that visits to family living and working abroad are linked with the recently high emigration rates. Complementing this analysis, the 2016 Eurobarometer survey shows that the primary reasons of consumers to go on holidays are: sun/beach, visiting family/friends/relatives, nature, “city trips”, and wellness/spa/health treatment.

APPENDIX D

In order to estimate the market potential and profitability of segments for B2B Packages and services, it was used a deductive process.

INPUTS FOR THE SEGMENTATION OF B2B PACKAGES AND SERVICES

1. Organizations in the Metropolitan Area of Lisbon in 2018

Source: <https://portalnacionalcompt/lisboa/empresas/>

Area	Total	Companies	Educational Organizations
Alcochete	556	543	13
Almada	5 457	5 374	83
Amadora	5 707	5 638	69
Barreiro	1 636	1 604	32
Cascais	10 330	10 192	138
Lisboa	49 795	49 060	735
Loures	7 855	7 770	85
Mafra	3 231	3 186	45
Moita	1 362	1 349	13
Montijo	1 838	1 819	19
Odivelas	5 265	5 200	65
Oeiras	9 214	9 087	127
Palmela	2 122	2 103	19
Seixal	4 505	4 434	71
Sesimbra	1 684	1 662	22
Setúbal	3 953	3 890	63
Sintra	13 461	13 249	212
Vila Franca de Xira	4 107	4 061	46
Total	132 078	130 221	1 857

2. Number of organizations in Portugal in 2016 per size

Source: <https://www.pordata.pt/Portugal/Empresas+total+e+por+dimensao-2857>

SMEs	1 213 107
Big Companies	1 099
Total	1 214 206

3. Number of organizations in Portugal in 2016 per size (as a percentage)

SMEs	99,91%
Big Companies	0,09%
Total	100,00%

4. SMEs in Portugal in 2016 as a percentage of the total amount of companies

Source: <https://www.pordata.pt/Portugal/Pequenas+e+m%C3%A9dias+empresas+em+percentagem+do+total+de+empresas+total+e+por+dimensao-2859>

	% of the total	Number of companies	Companies in metropolitan area of Lisbon
Micro	96,2%	1 168 066	125 273
Small	3,2%	38 855	4 167
Medium	0,5%	6 071	651
Big	0,1%	1 099	118
Total	99,99%	1 214 091	130 209

5. Total number of employees in Portugal in 2016

Source: <https://www.pordata.pt/Portugal/Pessoal+ao+servi%C3%A7o+nas+empresas+total+e+por+dimensao-2896>

Source: <https://www.pordata.pt/Portugal/Pessoal+ao+servi%C3%A7o+nas+pequenas+e+m%C3%A9dias+empresas-2931>

Micro	1 724 942
Small	713 513
Medium	556 251
Big	805 404
Total	3 800 110

6. Number of employees per company according to size

Micro	1,48
Small	18,36
Medium	91,62
Big	732,85

7. Number of Students enrolled in the educational system according to grade in the Metropolitan Area of LisbonSource: <https://www.pordata.pt/Municipios/Alunos+matriculados+nos+ensinos+pr%C3%A9+escolar++b%C3%A1sico+e+secund%C3%A1rio+total+e+por+n%C3%advel+de+ensino-166>

	2014	2015	2016
Pre-School	75 426	76 675	76 624
1st Cycle	124 272	123 911	122 374
2nd Cycle	70 505	68 396	67 386
3rd Cycle	104 617	106 227	105 115
High School	104 788	108 483	108 677
CET	1 344	1 617	2 221
Total	480 952	485 309	482 397

8. Number of Teachers according to grade in the Metropolitan Area of LisbonSource: <https://www.pordata.pt/Municipios/Docentes+em+exerc%C3%ad%C3%A9o+nos+ensinos+pr%C3%A9+escolar++b%C3%A1sico+e+secund%C3%A1rio+total+e+por+n%C3%advel+de+ensino-208>

	2014	2015	2016
Pre-School	4 197	4 216	4 275
1st Cycle	7 298	7 333	7 516
2nd Cycle	6 332	6 108	6 223
3rd Cycle and High School	18 815	19 156	19 502
Total	36 642	36 813	37 516

9. Average expenditure per business trip abroad in PortugalSource: <https://www.pordata.pt/Portugal/Despesa+m%C3%A9dia+por+viagem+total++por+motivo+principal+e+por+destino+da+viagem-2625>

	2014	2015	2016
Average expenditure per business trip abroad per person	244,80 €	460,80 €	501,02 €
Average expenditure per school trip abroad per person (according to SvD clients)			130 €

10. Profit margin practiced by Sair de Viagem

Profit Margin	15%
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SEGMENTS' POTENTIAL FOR THE B2B PACKAGES AND SERVICES**Segment Potential****Segment 1 - Schools**

Educational Org. in the metropolitan area of Lisbon	1 857
Teachers in the educational system (basic education)	37 516
Students from 5th to 12th grade in the metropolitan area of Lisbon	283 399
Total	283 399

Segment 2 - Small Companies

Micro and Small companies in the metropolitan area of Lisbon	129 440
Potential travelers in micro companies	184 996
Potential travelers in small companies	76 523
Total	261 519

Segment 3 - Big Companies

Medium and Big companies in the metropolitan area of Lisbon	769
Potential travelers in medium companies	59 657
Potential travelers in big companies	86 378
Total	146 035

SEGMENTS' PROFITABILITY FOR THE B2B PACKAGES AND SERVICES**Profitability****Segment 1 - Schools**

Percentage of market potencial reached	100%			
Clients reached	283 399			
Number of trips per year	1	2	3	
Segment maximum profitability	36 841 870,00 €	73 683 740,00 €	110 525 610,00 €	
Profit Margin for the agency	5 526 280,50 €	11 052 561,00 €	16 578 841,50 €	
Percentage of market potencial reached	1%			
Clients reached	2 834			
Number of trips per year	1	2	3	
Segment maximum profitability	368 418,70 €	736 837,40 €	1 105 256,10 €	
Profit Margin for the agency	55 262,81 €	110 525,61 €	165 788,42 €	
Percentage of market potencial reached	0,1%			
Clients reached	283			
Number of trips per year	1	2	3	
Segment maximum profitability	36 841,87 €	73 683,74 €	110 525,61 €	
Profit Margin for the agency	5 526,28 €	11 052,56 €	16 578,84 €	

Segment 2 - Small Companies

Percentage of market potencial reached	100%			
Clients reached	261 519			
Number of trips per year	1	2	3	
Segment maximum profitability	131 026 294,62 €	262 052 589,24 €	393 078 883,86 €	
Profit Margin for the agency	19653944,19	39 307 888,39 €	58 961 832,58 €	
Percentage of market potencial reached	1%			
Clients reached	2 615			
Number of trips per year	1	2	3	
Segment maximum profitability	1 310 262,95 €	2 620 525,89 €	3 930 788,84 €	
Profit Margin for the agency	196 539,44 €	393 078,88 €	589 618,33 €	
Percentage of market potencial reached	0,1%			
Clients reached	262			
Number of trips per year	1	2	3	
Segment maximum profitability	131 026,29 €	262 052,59 €	393 078,88 €	
Profit Margin for the agency	19 653,94 €	39 307,89 €	58 961,83 €	

Segment 3 - Big Companies

Percentage of market potencial reached	100%			
Clients reached	146 035			
Number of trips per year	1	2	3	
Segment maximum profitability	73 166 250,43 €	146 332 500,87 €	219 498 751,30 €	
Profit Margin for the agency	10 974 937,57 €	21 949 875,13 €	32 924 812,70 €	
Percentage of market potencial reached	1%			
Clients reached	1 460			
Number of trips per year	1	2	3	
Segment maximum profitability	731 662,50 €	1 463 325,01 €	2 194 987,51 €	
Profit Margin for the agency	109 749,38 €	219 498,75 €	329 248,13 €	
Percentage of market potencial reached	0,1%			
Clients reached	146			
Number of trips per year	1	2	3	
Segment maximum profitability	73 166,25 €	146 332,50 €	219 498,75 €	
Profit Margin for the agency	10 974,94 €	21 949,88 €	32 924,81 €	

APPENDIX E

In order to estimate the market potential and profitability of segments for B2C Packages and services, it was used a deductive process.

INPUTS FOR THE SEGMENTATION OF B2C PACKAGES AND SERVICES

1. Population residing in the metropolitan area of Lisbon, by age

Source: <https://www.pordata.pt/Municipios/Popula%C3%A7%C3%A3o+residente+total+e+por+grupo+et%C3%A1rio-358>

Age	2014	2015	2016
0 - 4	148 664	145 548	143 088
5 - 9	151 800	153 512	155 165
10 - 14	146 566	147 292	148 925
15 - 19	137 208	140 377	143 211
20 - 24	140 911	138 778	136 991
25 - 29	153 179	148 877	146 563
30 - 34	189 544	182 284	174 827
35 - 39	227 908	221 138	212 718
40 - 44	216 064	222 521	227 823
45 - 49	193 257	194 272	197 432
50 - 54	183 929	185 264	187 169
55 - 59	175 883	176 740	177 599
60 - 64	175 891	173 667	172 048
65 - 69	169 550	171 421	173 074
70 - 74	137 083	142 109	147 433
75 - 79	112 103	113 676	114 457
80 - 84	82 386	84 138	86 221
85 +	66 425	69 313	72 275
Total	2 808 351	2 810 927	2 817 019

2. Percentage of the population residing in the metropolitan area of Lisbon that travels, by age

Source: <https://www.pordata.pt/Municipios/Turistas+residentes+total+e+por+grupo+et%C3%A1rio-890>

Age	2014	2015	2016
<15	48,8%	54,0%	55,3%
15 - 24	42,6%	43,3%	45,0%
25 - 44	43,2%	48,4%	48,7%
45 - 64	36,2%	40,5%	40,7%
65+	31,9%	32,4%	34,4%
Total	39,8%	43,2%	44,0%

3. Family composition in the metropolitan area of Lisbon (in thousands)

Source: <https://www.pordata.pt/Municipios/Agregados+dom%C3%A9sticos+privados+total+e+por+tipo+de+composi%C3%A7%C3%A3o-825>

	2014	2015	2016
1 Person	291,5	292,4	287,3
Couple without children	274	273,3	276,6
Couple with children	370	386,5	374,4
Monoparental family	118,9	125,5	138,7
Other	96,8	81,3	88
Total	1151,1	1159,1	1165,1

4. Family composition in the metropolitan area of Lisbon (as a percentage of the total in that area)

	2014	2015	2016
1 Person	25,32%	25,23%	24,66%
Couple without children	23,80%	23,58%	23,74%
Couple with children	32,14%	33,34%	32,13%
Monoparental family	10,33%	10,83%	11,90%
Other	8,41%	7,01%	7,55%
Total	100%	100%	100%

5. Number of persons according to family composition in the metropolitan area of Lisbon

	2014	2015	2016
Persons in singular families or without children	839 500	839 000	840 500
As a percentage of the population	29,89%	29,85%	29,84%

6. Households according to their income bracket (IRS Model 1) in PortugalSource: <http://expresso.sapo.pt/economia/2017-05-14-De-que-falamos-quando-falamos-de-classe-media-#gs.7AbP3zc>Source: <https://www.pordata.pt/Portugal/Agregados+familiares+por+escal%C3%B5es+de+rendimento+IRS+Modelo+1-80>

	2014	2015
€0 - €5 000	587 886	467 977
€5 001 - €10 000	1 303 546	1 239 634
€10 001 - €13 500	506 254	512 947
€13 501 - €19 000	478 794	474 744
€19 001 - €27 500	367 684	377 495
€27 501 - €32 500	107 302	108 725
€32 501 - €40 000	102 104	105 595
€40 001 - €50 000	74 668	75 327
€50 001 - €100 000	86 562	86 593
€100 001 - €250 000	10 394	10 052
€250 000 +	490	480
Total	3 625 684	3 459 569

7. Percentage of households according to their income bracket (IRS Model 1) in Portugal

	2014	2015
€0 - €5 000	16,21%	13,53%
€5 001 - €10 000	35,95%	35,83%
€10 001 - €13 500	13,96%	14,83%
€13 501 - €19 000	13,21%	13,72%
€19 001 - €27 500	10,14%	10,91%
€27 501 - €32 500	2,96%	3,14%
€32 501 - €40 000	2,82%	3,05%
€40 001 - €50 000	2,06%	2,18%
€50 001 - €100 000	2,39%	2,50%
€100 001 - €250 000	0,29%	0,29%
€250 000 +	0,01%	0,01%
Total	100,00%	100,00%

8. Average expenditure per leisure trip abroad in PortugalSource: <https://www.pordata.pt/Portugal/Despesa+m%C3%A9dia+por+viagem+total++por+motivo+principal+e+por+destino+da+viagem-2625>

	2014	2015	2016
Average expenditure per leisure trip abroad	372,60 €	476,70 €	472,20 €

9. Profit margin practiced by Sair de Viagem

Profit Margin	15%
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SEGMENTS' POTENTIAL FOR THE B2C PACKAGES AND SERVICES

Segment Potential			
Segment 1 - Travel Fanatics			
	2014	2015	2016
Number of persons between 25 and 39	570 631	552 299	534 108
Percentage of travelers	43,2%	48,4%	48,7%
Subtotal	246 513	267 313	260 111
Percentage of people who are single or in couples w/o children	29,9%	29,8%	29,8%
Subtotal	73 690	79 787	77 608
Percentage of people belonging to middle class	43,09%	45,66%	48,38%
Total	31 750	36 428	37 547
Growth Rate	-	14,73%	3,07%
Segment 2 - Family Focused			
	2014	2015	2016
Number of persons between 30 and 54	1 010 702	1 005 479	999 969
Percentage of travelers	39,7%	44,5%	44,7%
Subtotal	401 249	446 935	446 986
Percentage of people in families with children, whether in couple or monoparental	70,1%	70,2%	70,2%
Subtotal	281 303	313 535	313 621
Percentage of people belonging to middle class	43,09%	45,66%	48,38%
Total	121 201	143 148	151 731
Growth Rate	-	18,11%	6,00%
Segment 3 - Senior Explorers			
	2014	2015	2016
Number of persons between 60 and 79	594 627	600 873	607 012
Percentage of travelers	31,9%	32,4%	34,4%
Subtotal	189 686	194 683	208 812
Percentage of people who are single or in couples w/o children	29,9%	29,8%	29,8%
Subtotal	56 703	58 109	62 302
Percentage of people belonging to middle class	43,09%	45,66%	48,38%
Total	24 431	26 530	30 142
Growth Rate	-	8,59%	13,61%

SEGMENTS' PROFITABILITY FOR THE B2C PACKAGES AND SERVICES

Profitability			
Segment 1 - Travel Fanatics			
Percentage of market potencial reached	100%		
Clients reached	37 547		
Number of trips per year	1	2	3
Segment maximum profitability	17 729 687,78 €	35 459 375,56 €	53 189 063,34 €
Profit Margin for the agency	2 659 453,17 €	5 318 906,33 €	7 978 359,50 €
Percentage of market potencial reached	1%		
Clients reached	375		
Number of trips per year	1	2	3
Segment maximum profitability	177 296,88 €	354 593,76 €	531 890,63 €
Profit Margin for the agency	26 594,53 €	53 189,06 €	79 783,60 €
Percentage of market potencial reached	0,1%		
Clients reached	38		
Number of trips per year	1	2	3
Segment maximum profitability	17 729,69 €	35 459,38 €	53 189,06 €
Profit Margin for the agency	2 659,45 €	5 318,91 €	7 978,36 €

Segment 2 - Family Focused

Percentage of market potencial reached	100%			
Clients reached	151 731			
Number of trips per year	1	2	3	
Segment maximum profitability	71 647 390,78 €	143 294 781,55 €	214 942 172,33 €	
Profit Margin for the agency	10 747 108,62 €	21 494 217,23 €	32 241 325,85 €	
Percentage of market potencial reached	1%			
Clients reached	1 517			
Number of trips per year	1	2	3	
Segment maximum profitability	716 473,91 €	1 432 947,82 €	2 149 421,72 €	
Profit Margin for the agency	107 471,09 €	214 942,17 €	322 413,26 €	
Percentage of market potencial reached	0,1%			
Clients reached	152			
Number of trips per year	1	2	3	
Segment maximum profitability	71 647,39 €	143 294,78 €	214 942,17 €	
Profit Margin for the agency	10 747,11 €	21 494,22 €	32 241,33 €	

Segment 3 - Senior Explorers

Percentage of market potencial reached	100%			
Clients reached	30 142			
Number of trips per year	1	2	3	
Segment maximum profitability	14 233 075,82 €	28 466 151,64 €	42 699 227,46 €	
Profit Margin for the agency	2 134 961,37 €	4 269 922,75 €	6 404 884,12 €	
Percentage of market potencial reached	1%			
Clients reached	301			
Number of trips per year	1	2	3	
Segment maximum profitability	142 330,76 €	284 661,52 €	426 992,27 €	
Profit Margin for the agency	21 349,61 €	42 699,23 €	64 048,84 €	
Percentage of market potencial reached	0,1%			
Clients reached	30			
Number of trips per year	1	2	3	
Segment maximum profitability	14 233,08 €	28 466,15 €	42 699,23 €	
Profit Margin for the agency	2 134,96 €	4 269,92 €	6 404,88 €	

APPENDIX F

In order to estimate the market potential and profitability of segments for the Circuits in China, it was used a deductive process.

INPUTS FOR THE SEGMENTATION OF CIRCUITS IN CHINA

1. Population residing in the metropolitan area of Lisbon, by age

Source: <https://www.pordata.pt/Municipios/Popula%C3%A7%C3%A3o+residente+total+e+por+grupo+et%C3%A1rio-358>

Age	2014	2015	2016
0 - 4	148 664	145 548	143 088
5 - 9	151 800	153 512	155 165
10 - 14	146 566	147 292	148 925
15 - 19	137 208	140 377	143 211
20 - 24	140 911	138 778	136 991
25 - 29	153 179	148 877	146 563
30 - 34	189 544	182 284	174 827
35 - 39	227 908	221 138	212 718
40 - 44	216 064	222 521	227 823
45 - 49	193 257	194 272	197 432
50 - 54	183 929	185 264	187 169
55 - 59	175 883	176 740	177 599
60 - 64	175 891	173 667	172 048
65 - 69	169 550	171 421	173 074
70 - 74	137 083	142 109	147 433
75 - 79	112 103	113 676	114 457
80 - 84	82 386	84 138	86 221
85 +	66 425	69 313	72 275
Total	2 808 351	2 810 927	2 817 019

2. Percentage of the population residing in the metropolitan area of Lisbon that travels, by age

Source: <https://www.pordata.pt/Municipios/Turistas+residentes+total+e+por+grupo+et%C3%A1rio-890>

Age	2014	2015	2016
<15	48,8%	54,0%	55,3%
15 - 24	42,6%	43,3%	45,0%
25 - 44	43,2%	48,4%	48,7%
45 - 64	36,2%	40,5%	40,7%
65+	31,9%	32,4%	34,4%
Total	39,8%	43,2%	44,0%

3. Number of travelers in the metropolitan area of Lisbon by age

Age	2014	2015	2016
<15	218 151	241 030	247 289
15 - 24	118 479	120 874	126 091
25 - 44	339 852	375 013	371 060
45 - 64	263 884	295 627	298 839
65+	181 047	188 133	204 150
Total	1 121 413	1 220 677	1 247 430

4. Households according to their income bracket (IRS Model 1) in Portugal

Source: <http://expresso.sapo.pt/economia/2017-05-14-De-que-falamos-quando-falamos-de-classe-media-#gs.7AbP3zc>

Source: <https://www.pordata.pt/Portugal/Agregados+familiares+por+escal%C3%B5es+de+rendimento+IRS+Modelo+1-80>

	2014	2015
€0 - €5 000	587 886	467 977
€5 001 - €10 000	1 303 546	1 239 634
€10 001 - €13 500	506 254	512 947
€13 501 - €19 000	478 794	474 744
€19 001 - €27 500	367 684	377 495
€27 501 - €32 500	107 302	108 725
€32 501 - €40 000	102 104	105 595
€40 001 - €50 000	74 668	75 327
€50 001 - €100 000	86 562	86 593
€100 001 - €250 000	10 394	10 052
€250 000 +	490	480
Total	3 625 684	3 459 569

5. Percentage of households according to their income bracket (IRS Model 1) in Portugal

	2014	2015
€0 - €5 000	16,21%	13,53%
€5 001 - €10 000	35,95%	35,83%
€10 001 - €13 500	13,96%	14,83%
€13 501 - €19 000	13,21%	13,72%
€19 001 - €27 500	10,14%	10,91%
€27 501 - €32 500	2,96%	3,14%
€32 501 - €40 000	2,82%	3,05%
€40 001 - €50 000	2,06%	2,18%
€50 001 - €100 000	2,39%	2,50%
€100 001 - €250 000	0,29%	0,29%
€250 000 +	0,01%	0,01%
Total	100,00%	100,00%

6. Main types of tourists

Source: https://www.tourismpartners.com/publications/Research/reas_segrpts_ConsumerInsightResearchSegmentationOverview.pdf

Type	Market Share 2012	
Sports Lovers	5%	A
Aces	8%	A
Family Memory Builders	14%	A
Nature Lovers	7%	A
Young Socializers	10%	A
Knowledge Seekers	7%	K
Connected Explorers	8%	K
Outgoing Mature Couples	6%	K
Solitaires	7%	K
UP & Coming Explorers	9%	K
Pampered Relaxers	5%	L
Mellow Vacationers	15%	L

7. Average expenditure per leisure trip abroad in Portugal

Source: <https://www.pordata.pt/Portugal/Despesa+m%C3%A9dia+por+viagem+total++por+motivo+principal+e+por+destino+da+viagem-2625>

	2014	2015	2016
Average expenditure per leisure trip abroad	372,60 €	476,70 €	472,20 €
Assuming that in luxury trips the double is spent	745,20 €	953,40 €	944,40 €

8. Profit margin practiced by Sair de Viagem

Profit Margin	15%
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SEGMENTS' POTENTIAL FOR OF CIRCUITS IN CHINA

Segment Potential			
Segment 1 - Luxury Traveler			
	2014	2015	2016
% of 35 - 44 in total 25 - 44 class	56,44%	57,26%	57,82%
% of 45 - 59 in total 45 - 69 class	75,87%	76,21%	76,57%
Subtotal	392 007	440 023	443 359
Preferred type of experience	20,00%	20,00%	20,00%
Subtotal	78 401	88 005	88 672
Percentage of people belonging to middle-high class	20,66%	22,09%	23,62%
Total	16 201	19 441	20 942
Growth Rate	-	20,00%	7,72%
Segment 2 - Culture Enthusiast			
	2014	2015	2016
% of 30 - 44 in total 25 - 44 class	80,53%	80,79%	80,76%
% of 45 - 54 in total 45 - 69 class	51,74%	52,00%	52,38%
Subtotal	410 220	456 668	456 217
Preferred type of experience	37,00%	37,00%	37,00%
Subtotal	151 781	168 967	168 800
Percentage of people belonging to middle class	43,09%	45,66%	48,38%
Total	65 396	77 144	81 666
Growth Rate	-	17,97%	5,86%
Segment 3 - Experiences Seeker			
	2014	2015	2016
% of 25 - 44 in total 25 - 44 class	100%	100%	100%
% of 45 - 49 in total 45 - 69 class	26,5%	26,6%	26,9%
Subtotal	409 811	453 693	451 415
Preferred type of experience	44,00%	44,00%	44,00%
Subtotal	180 317	199 625	198 623
Percentage of people belonging to middle class	43,09%	45,66%	48,38%
Total	77 690	91 141	96 094
Growth Rate	-	17,31%	5,43%

SEGMENTS' PROFITABILITY FOR OF CIRCUITS IN CHINA

Profitability			
Segment 1 - Luxury Traveler			
Percentage of market potencial reached	100%		
Clients reached	20 942		
Number of trips per year	1	2	3
Segment maximum profitability	19 777 776,15 €	39 555 552,29 €	59 333 328,44 €
Profit Margin for the agency	2 966 666,42 €	5 933 332,84 €	8 899 999,27 €
Percentage of market potencial reached	1%		
Clients reached	209		
Number of trips per year	1	2	3
Segment maximum profitability	197 777,76 €	395 555,52 €	593 333,28 €
Profit Margin for the agency	29 666,66 €	59 333,33 €	88 999,99 €
Percentage of market potencial reached	0,1%		
Clients reached	21		
Number of trips per year	1	2	3
Segment maximum profitability	19 777,78 €	39 555,55 €	59 333,33 €
Profit Margin for the agency	2 966,67 €	5 933,33 €	8 900,00 €

Segment 2 - Culture Enthusiast

Percentage of market potencial reached	100%			
Clients reached	81 666			
Number of trips per year	1	2	3	
Segment maximum profitability	38 562 761,10 €	77 125 522,20 €	115 688 283,29 €	
Profit Margin for the agency	5 784 414,16 €	11 568 828,33 €	17 353 242,49 €	

Percentage of market potencial reached	1%			
Clients reached	817			
Number of trips per year	1	2	3	
Segment maximum profitability	385 627,61 €	771 255,22 €	1 156 882,83 €	
Profit Margin for the agency	57 844,14 €	115 688,28 €	173 532,42 €	

Percentage of market potencial reached	0,1%			
Clients reached	82			
Number of trips per year	1	2	3	
Segment maximum profitability	38 562,76 €	77 125,52 €	115 688,28 €	
Profit Margin for the agency	5 784,41 €	11 568,83 €	17 353,24 €	

Segment 3 - Experiences Seeker

Percentage of market potencial reached	100%			
Clients reached	96 094			
Number of trips per year	1	2	3	
Segment maximum profitability	45 375 766,79 €	90 751 533,59 €	136 127 300,38 €	
Profit Margin for the agency	6 806 365,02 €	13 612 730,04 €	20 419 095,06 €	

Percentage of market potencial reached	1%			
Clients reached	961			
Number of trips per year	1	2	3	
Segment maximum profitability	453 757,67 €	907 515,34 €	1 361 273,00 €	
Profit Margin for the agency	68 063,65 €	136 127,30 €	204 190,95 €	

Percentage of market potencial reached	0,1%			
Clients reached	96			
Number of trips per year	1	2	3	
Segment maximum profitability	45 375,77 €	90 751,53 €	136 127,30 €	
Profit Margin for the agency	6 806,37 €	13 612,73 €	20 419,10 €	

APPENDIX G

CUSTOMER'S VALUE CHAIN

From the client point of view, the process of travelling starts with the dreaming phase, in which he starts to activate his reasons to travel, without considering the main restrictions: time and money. Afterwards is the research phase, in which the defined reasons are becoming more vivid, and locations and concrete possibilities are studied. With the decision taken, the client moves to the almost irreversible stage of booking and paying his trip. Then, he prepares and goes on his trip and enjoys the experience. Finally, upon the return, the client evaluates his experience, and shares what he came across.

APPENDIX H

INDIRECT AND DIRECT COSTS

Indirect Costs		
	Monthly	Yearly
Miscellaneous Costs	1 298,19 €	15 578,28 €
Specialized Work	159,90 €	1 918,80 €
Fees	151,29 €	1 815,48 €
Bank Comissions	2,00 €	24,00 €
Office Supplies	20,00 €	240,00 €
Fuel	175,00 €	2 100,00 €
Food, travel and subsistence expenses	160,00 €	1 920,00 €
Suppliers and services	630,00 €	7 560,00 €
Personnel Expenses	1 916,00 €	22 992,00 €
Salary	1 350,80 €	16 209,60 €
Remuneration Charges	543,70 €	6 524,40 €
Insurance	21,50 €	258,00 €
Depreciation and Amortization	0,00 €	0,00 €
Other Expenses	36,00 €	432,00 €
Total Indirect Costs	3 250,19 €	39 002,28 €

Direct Costs		
	Monthly	Yearly
CMSMU		75% of revenue
Marketing Promotion Costs	250,00 €	3 000,00 €
Total Direct Costs	250,00 €	3 000,00 €

INVESTMENTS

Investments

From Year 2 - 2019 onwards a part-time worker would be employed

Personnel Expenses

	Monthly	Annual 2019-21
Salary	300,00 €	3 600,00 €
Remuneration Charges (23%)	69,00 €	828,00 €
Insurance (5%)	15,00 €	180,00 €
Total	384,00 €	4 608,00 €

Marketing Promotion Costs

	2018	2019-21
Facebook Ads	240,00 €	
Influencer's Partnerships	1 250,00 €	1 250,00 €
Brand and image development	100,00 €	0,00 €
Website development	250,00 €	0,00 €
SalesForce CRM	300,00 €	300,00 €
Total	2 140,00 €	1 550,00 €

SCENARIOS OF GROWTH

To achieve the 0,1% of the target potential of each type of product:

Optimistic Scenario

Product	Nr of trips	437 587,33 €
B2B	2	262 052,59 €
B2C	1,5	107 471,09 €
China	1,5	68 063,65 €
Growth		19,97%

Realistic Scenario

Product	Nr of trips	414 899,44 €
B2B	2	262 052,59 €
B2C	1,5	107 471,09 €
China	1	45 375,77 €
Growth		13,75%

Pessimistic Scenario

Product	Nr of trips	382 142,87 €
B2B	1,75	229 296,02 €
B2C	1,5	107 471,09 €
China	1	45 375,77 €
Growth		4,77%

5-YEAR PROJECTIONS

Optimistic Scenario	Growth:	42%	-11%	6%	-2%	5%	20%	20%	20%	20%
	2013	2014	2015	2016	2017	2019e	2020e	2021e	2022e	
Sales Revenues	278 838,63 €	396 933,65 €	351 330,71 €	372 574,80 €	364 757,23 €	382 995,09 €	459 594,11 €	551 512,93 €	661 815,52 €	794 178,62 €
CMSMU	209 128,97 €	297 700,24 €	263 498,03 €	279 431,10 €	273 567,92 €	292 991,24 €	351 589,49 €	421 907,39 €	506 288,87 €	607 546,65 €
Marketing Promotion Costs	3 000,00 €	3 000,00 €	3 000,00 €	3 000,00 €	3 000,00 €	5 140,00 €	4 550,00 €	4 550,00 €	4 550,00 €	4 550,00 €
Personnel Expenses							4 608,00 €	4 608,00 €	4 608,00 €	4 608,00 €
Total Direct Costs	212 128,97 €	300 700,24 €	266 498,03 €	282 431,10 €	276 567,92 €	298 131,24 €	360 747,49 €	431 065,39 €	515 446,87 €	616 704,65 €
Gross Profit	66 709,66 €	96 233,41 €	84 832,68 €	90 143,70 €	88 189,31 €	84 863,85 €	98 846,62 €	120 447,54 €	146 368,65 €	177 473,98 €
	23,92%	24,24%	24,15%	24,19%	24,18%	22,16%	21,51%	21,84%	22,12%	22,35%
Markup	31,45%	32,00%	31,83%	31,92%	31,89%	28,47%	27,40%	27,94%	28,40%	28,78%
Total Indirect Costs	39 002,28 €	39 002,28 €	39 002,28 €	39 002,28 €	39 002,28 €	39 782,33 €	40 577,97 €	41 389,53 €	42 217,32 €	43 061,67 €
VAT to Pay	57 070,19 €	77 441,58 €	69 575,07 €	73 239,68 €	71 891,15 €	76 537,92 €	90 198,52 €	106 558,29 €	126 156,42 €	149 639,91 €
VAT to Receive	64 132,88 €	91 294,74 €	80 806,06 €	85 692,20 €	83 894,16 €	88 088,87 €	105 706,65 €	126 847,97 €	152 217,57 €	182 661,08 €
Net Profit	73 772,35 €	110 086,57 €	96 063,67 €	102 596,23 €	100 192,32 €	96 414,80 €	114 354,74 €	140 737,22 €	172 429,79 €	210 495,15 €
Net Profit Margin	26,46%	27,73%	27,34%	27,54%	27,47%	25,17%	24,88%	25,52%	26,05%	26,50%
Contribution Margin	66 709,66 €	96 233,41 €	84 832,68 €	90 143,70 €	88 189,31 €	84 863,85 €	98 846,62 €	120 447,54 €	146 368,65 €	177 473,98 €
Contribution Margin Ratio	23,92%	24,24%	24,15%	24,19%	24,18%	22,16%	21,51%	21,84%	22,12%	22,35%

Realistic Scenario	Growth:	42%	-11%	6%	-2%	5%	10%	10%	10%	10%
	2013	2014	2015	2016	2017	2018e	2019e	2020e	2021e	2022e
Sales Revenues	278 838,63 €	396 933,65 €	351 330,71 €	372 574,80 €	364 757,23 €	382 995,09 €	421 294,60 €	463 424,06 €	509 766,47 €	560 743,11 €
CMSMU	209 128,97 €	297 700,24 €	263 498,03 €	279 431,10 €	273 567,92 €	292 991,24 €	322 290,37 €	354 519,41 €	389 971,35 €	428 968,48 €
Marketing Promotion Costs	3 000,00 €	3 000,00 €	3 000,00 €	3 000,00 €	3 000,00 €	5 140,00 €	4 550,00 €	4 550,00 €	4 550,00 €	4 550,00 €
Personnel Expenses							4 608,00 €	4 608,00 €	4 608,00 €	4 608,00 €
Total Direct Costs	212 128,97 €	300 700,24 €	266 498,03 €	282 431,10 €	276 567,92 €	298 131,24 €	331 448,37 €	363 677,41 €	399 129,35 €	438 126,48 €
Gross Profit	66 709,66 €	96 233,41 €	84 832,68 €	90 143,70 €	88 189,31 €	84 863,85 €	89 846,23 €	99 746,65 €	110 637,12 €	122 616,63 €
Gross Profit Margin	23,92%	24,24%	24,15%	24,19%	24,18%	22,16%	21,33%	21,52%	21,70%	21,87%
Markup	31,45%	32,00%	31,83%	31,92%	31,89%	28,47%	27,11%	27,43%	27,72%	27,99%
Total Indirect Costs	39 002,28 €	39 002,28 €	39 002,28 €	39 002,28 €	39 002,28 €	39 782,33 €	40 577,97 €	41 389,53 €	42 217,32 €	43 061,67 €
VAT to Pay	57 070,19 €	77 441,58 €	69 575,07 €	73 239,68 €	71 891,15 €	76 537,92 €	83 459,72 €	91 059,06 €	99 403,39 €	108 566,93 €
VAT to Receive	64 132,88 €	91 294,74 €	80 806,06 €	85 692,20 €	83 894,16 €	88 088,87 €	96 897,76 €	106 587,53 €	117 246,29 €	128 970,92 €
Net Profit	73 772,35 €	110 086,57 €	96 063,67 €	102 596,23 €	100 192,32 €	96 414,80 €	103 284,27 €	115 275,13 €	128 480,01 €	143 020,61 €
Net Profit Margin	26,46%	27,73%	27,34%	27,54%	27,47%	25,17%	24,52%	24,87%	25,20%	25,51%
Contribution Margin	66 709,66 €	96 233,41 €	84 832,68 €	90 143,70 €	88 189,31 €	84 863,85 €	89 846,23 €	99 746,65 €	110 637,12 €	122 616,63 €
Contribution Margin Ratio	23,92%	24,24%	24,15%	24,19%	24,18%	22,16%	21,33%	21,52%	21,70%	21,87%

Pessimistic Scenario	Growth:	42%	-11%	6%	-2%	5%	5%	5%	5%	5%
	2013	2014	2015	2016	2017	2018e	2019e	2020e	2021e	2022e
Sales Revenues	278 838,63 €	396 933,65 €	351 330,71 €	372 574,80 €	364 757,23 €	382 995,09 €	402 144,85 €	422 252,09 €	443 364,69 €	465 532,93 €
CMSMU	209 128,97 €	297 700,24 €	263 498,03 €	279 431,10 €	273 567,92 €	292 991,24 €	307 640,81 €	323 022,85 €	339 173,99 €	356 132,69 €
Marketing Promotion Costs	3 000,00 €	3 000,00 €	3 000,00 €	3 000,00 €	3 000,00 €	5 140,00 €	4 550,00 €	4 550,00 €	4 550,00 €	4 550,00 €
Personnel Expenses							4 608,00 €	4 608,00 €	4 608,00 €	4 608,00 €
Total Direct Costs	212 128,97 €	300 700,24 €	266 498,03 €	282 431,10 €	276 567,92 €	298 131,24 €	316 798,81 €	332 180,85 €	348 331,99 €	365 290,69 €
Gross Profit	66 709,66 €	96 233,41 €	84 832,68 €	90 143,70 €	88 189,31 €	84 863,85 €	85 346,04 €	90 071,24 €	95 032,70 €	100 242,24 €
Gross Profit Margin	23,92%	24,24%	24,15%	24,19%	24,18%	22,16%	21,22%	21,33%	21,43%	21,53%
Markup	31,45%	32,00%	31,83%	31,92%	31,89%	28,47%	26,94%	27,12%	27,28%	27,44%
Total Indirect Costs	39 002,28 €	39 002,28 €	39 002,28 €	39 002,28 €	39 002,28 €	39 782,33 €	40 577,97 €	41 389,53 €	42 217,32 €	43 061,67 €
VAT to Pay	57 070,19 €	77 441,58 €	69 575,07 €	73 239,68 €	71 891,15 €	76 537,92 €	80 090,32 €	83 814,85 €	87 720,00 €	91 814,70 €
VAT to Receive	64 132,88 €	91 294,74 €	80 806,06 €	85 692,20 €	83 894,16 €	88 088,87 €	92 493,31 €	97 117,98 €	101 973,88 €	107 072,57 €
Net Profit	73 772,35 €	110 086,57 €	96 063,67 €	102 596,23 €	100 192,32 €	96 414,80 €	97 749,03 €	103 374,37 €	109 286,58 €	115 500,11 €
Net Profit Margin	26,46%	27,73%	27,34%	27,54%	27,47%	25,17%	24,31%	24,48%	24,65%	24,81%
Contribution Margin	66 709,66 €	96 233,41 €	84 832,68 €	90 143,70 €	88 189,31 €	84 863,85 €	85 346,04 €	90 071,24 €	95 032,70 €	100 242,24 €
Contribution Margin Ratio	23,92%	24,24%	24,15%	24,19%	24,18%	22,16%	21,22%	21,33%	21,43%	21,53%